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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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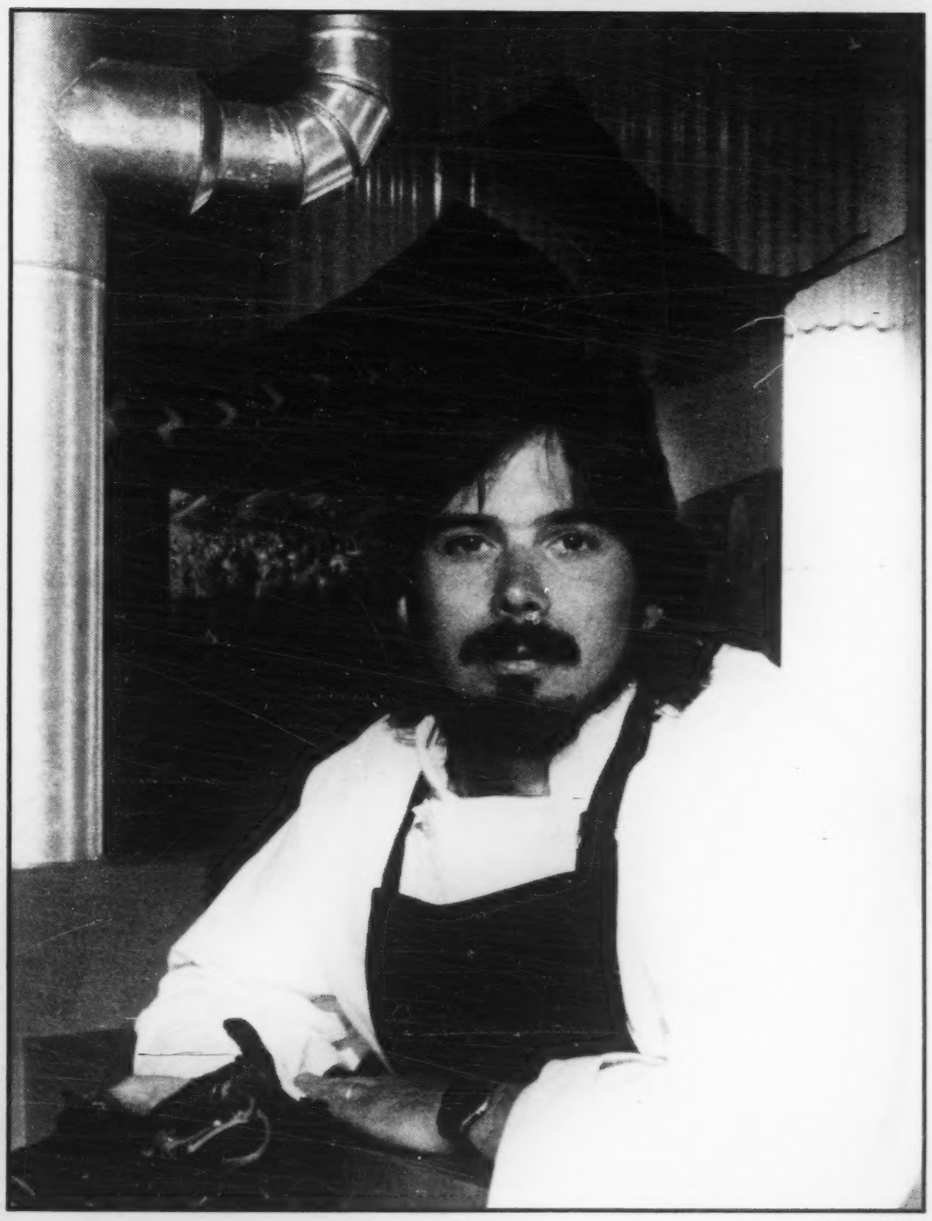

NRN Photo

Casa U-Betcha executive chef John Huyck displays some chilies.

Casa U-Betcha wins big liquor sales with Latin flavors

by Alan Liddle

PORTLAND, Ore. — Early Sunday evening, late Tuesday night — even at those hours the scene is rarely serene at Casa U-Betcha.

Powered by a liberal portion-control policy in the bar and [illegible] Brazilian-style stew of wild-boar ham, linguiça, roasted tomato, peppers, herbs and black beans, the 82-seat restaurant rings up annual sales of $1.2 million. A full 50 percent of that total volume is generated in the bar, co-owner Jeff Steichen reported.

"Having hung out in bars for a long time, we know how to make them exciting," Steichen said, using the collective "we" to refer to his partner and friend since middle school, John Stafford.

"We put good people behind the bar, play good music and pour an honest drink," Steichen continued. "Guys who go after a 14 percent or 16 percent pouring cost are not going to make it. We see nothing wrong with an ounce-and-a-half drink, and if a customer complains, the chances are he'll have a double in front of him before you can blink."

Encouraged by the volume and healthy bottom line at their original Casa U-Bet-

(See CASA, page 99)

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House eyes new franchise rules

Franchisors fear congressional panel will grant new rights to franchisees

by Peter Romeo

WASHINGTON — A House committee is studying the state of relations between franchisor and franchisee to determine if federal regulations are needed to bolster licensees' defenses against chain headquarters.

Restaurant chains and other franchisors have voiced fears that the effort will tip the balance of power decidedly in favor of franchisees. The inquiry comes at a time when a number of foodservice franchisors are embroiled in disputes with their licensees.

In particular, franchisors express concerns about the recommendations of a report drafted for the House Small Business Committee by the staff of its chairman, John LaFalce, D-N.Y.

Citing a "gross disparity of bargaining power" between licensee and licensor, the study calls for such bold actions as setting conditions under which franchisors would be required to compensate operators of franchises that are terminated.

"A franchisee may have spent years building a successful business only to find, often with only 30 days' notice, that his franchise is being terminated," the study says. "The franchisee is not entitled to any refund of his initial invest-

(See FRANCHISING, page 4)

WORLD REPORT

US chains gain new leverage in Mexico

by Alan Liddle

MEXICO CITY — Mexico's reduction of trade restrictions and new legal support for franchising means that American restaurant chains may now require Mexican franchisees to use the same foods and equipment as their U.S. counterparts.

While several American franchisors are applauding the Mexican government's newfound flexibility, an executive with one of the first U.S. foodservice companies to franchise in Mexico City still cringes when he recalls his firm's first experiences south of the border.

"When it's available, we

(See MEXICO, page 98)

Michael Roberts trumps Trumps with casual bar

by Richard Martin

WEST HOLLYWOOD, Calif. — Chef Michael Roberts' daring artistry at Trumps restaurant here helped usher in a go-go decade for contemporary, upscale cuisine.

Now, the 10-year-old Trumps' veteran proprietor has cooked up a new tactic to satisfy the 1990s' burgeoning appetite for lower-cost, impulse-driven dining.

Along with a greatly expanded bar-room menu and modified-for-dining lounge seating, Roberts has launched a no-reservations policy in the famed restaurant's bar to attract a downscale, "spur-of-the-moment" dinner clientele.

"I feel like I have a new restaurant," Roberts says, while showing off the buffering "wall-of-water" waterfall he has installed to separate Trumps' unaltered main dining room — where dinner and wine for two can easily top $100 — from the revamped bar's drop-in ambience.

The expansive bar menu has quickly proved to be a potent means of suggestive selling. "Almost everyone who sits down orders something. It's quite amazing," explains Roberts, adding that bar-food sales in the first three weeks after the menu's introduction were triple the volume of food formerly sold in the lounge.

NRN Photo

Roberts and, behind his right shoulder, the 'wall-of-water.'

Roberts' decision to modify Trumps reflects to a degree a widespread shift by the na-

(See TRUMPS, page 99)

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Vol. 24, No. 42 October 22, 1990

NEWS BRIEFS

Sept. sales rise 5.3%, costs increase 4.7%, government says

WASHINGTON — Sales at eating and drinking places rose year-over-year in September by the slimmest margin in four months, but the rate of increase was sufficient to outpace a modest surge in wholesale food costs.

On an unadjusted basis, restaurants chalked up a 5.3-percent year-to-year increase in sales during September, according to the Department of Commerce. In August, eating and drinking places turned in one of their strongest performance this year, with sales rising 6.7 percent from the level of the prior year.

Meanwhile, wholesale food costs, as measured by the Bureau of Labor Statistics' producer price index, rose 4.7 percent on an annual unadjusted basis in September.

Just one month earlier, the food cost component of the producer price index rose 5.3 percent.

Strong crop harvests, adequate summer rainfalls and improvements in freight and agricultural storage capabilities were cited for the easing in wholesale food costs.

BK declines comment on layoff reports

MIAMI — Burger King would not comment on widely circulated reports that the company was planning to slash its corporate and field payroll by laying off as many as 400 workers.

The most detailed report appeared in the Miami Herald. An article paraphrased unidentified sources who said regional vice presidents and franchisee field managers would be among the first to go if the ax swings.

Burger King spokesman Mike Evans declined to comment on the story.

However, some Burger King franchisees and suppliers said they had been hearing for some time that layoffs were imminent.

"We've been hearing these rumors for months, but I don't have anything substantial," said one large franchisee.

"We heard that 350 people were going to go by the middle of the month," said a company supplier, who, like the franchisee, spoke on the condition of anonymity.

A cutback would be the second major firing of workers since Grand Metropolitan PLC acquired Burger King in February 1989. In April of that year, the company laid off 550 of its 41,000 employees.

Trusthouse Forte's feeding division buys Epoch Food

TRUMBULL, Conn. — Trusthouse Forte Food Services Inc., a non-commercial feeder based here, has acquired Epoch Food Service, a Sunnyvale, Calif.-based dining management and catering firm, for $2.3 million.

Epoch, a privately held concern generating annual sales of about $14 million, operates more than 90 foodservice and vending facilities in California's Silicon Valley. Epoch's client portfolio includes Intel, Federal Express, Octel, Apple and Daisy Systems.

The Epoch agreement marks Trusthouse Forte's second acquisition in California in two years. In November 1988, Trusthouse purchased Servo Food Systems, a contractor based in Oakland.

LA Dodgers sign Marriott Corp. to stadium contract

LOS ANGELES — The Los Angeles Dodgers, hungry for an expanded menu lineup that would include the foods of Carl's Jr. and McDonald's, signed Marriott Corp.'s Sports and Entertainment Division to succeed 29-year Dodger veteran Arthur Food Services as Dodger Stadium's concessionaire next year.

Dodgers' president, Peter O'Malley, said the change is part of a plan to broaden menu choices and completely renovate all food facilities at the ball park. The signature foot-long Dodger Dog will be kept as part of the new brand-name fast-food team Marriott is expected to field in 1991, a Dodgers spokesman said.

Los Angeles-based Arthur Food, which introduced such items as chicken, fruit drinks and even sushi at Dodger Stadium during the 1980s without much success, said it was unwilling to invest in the facilities and menu upgrades sought by the Dodgers.

A Marriott spokesman said the company would make Dodger Stadium its flagship operation in sports and entertainment contracts.

McDonald's, Pizza Hut open units in China

SHENZHEN, China — McDonald's has invaded this region known for its spicy cuisine by opening a 500-seat unit, the chain's first in China.

Meanwhile, in Beijing, three Pizza Hut franchisees have teamed up with the chain's parent, Pepsico, to open the first full-service Pizza Hut restaurant in this Communist nation.

Beijing Pizza Corp., Beijing International Business Service Corp., ATIM Limited of Hong Kong and Pepsico opened the $1 million, two-story, 180-seat facility amid the pomp of a state celebration as dozens of diplomats and business executives looked on.

The three-story McDonald's is operated by McDonald's Restaurants Shenzhen Ltd., a subsidiary of McDonald's Hong Kong, which in turn is a venture of McDonald's Corp. The restaurant is situated in an area studded with factories built with foreign capital.

McDonald's said most ingredients used at the unit here are imported from Hong Kong. However, the chain noted it was seeking to develop local sources of supplies.

Pizza Hut has already disclosed plans to open a second restaurant in Beijing. The chain said it would obtain a major portion of the restaurants' food supply locally while importing some ingredients, including Mozzarella cheese. The menu will feature Pizza Hut's traditional offering, including a fresh salad bar.

Spectrum shuts Ciao after dispute over access for disabled persons

SAN FRANCISCO — Spectrum Foods has shuttered its Ciao Italian restaurant here as a result of a dispute with the Disability Rights and Education Fund, which has taken legal action to force the company to make the eating establishment fully accessible to disabled people.

A Ciao spokesman said the restaurant closed after serving a special meal to its employees and some longtime customers. Unless an out-of-court settlement is reached, the restaurant will remain closed pending the outcome of a November trial on the merits of the DREF lawsuit, he said.

Spectrum officials have indicated that the company is willing to improve handicapped access within Ciao, but they contend the age of the building makes the cost of fully complying with the law prohibitive. DREF officials assert that Spectrum, which has estimated annual sales of $30 million to $50 million, can afford to comply with access laws.

LA Coliseum suspends sales of beer after violence erupts

LOS ANGELES — Following an outbreak of fan violence that left one person hospitalized with a broken jaw, the Los Angeles Coliseum banned beer sales during the Oct. 14 contest between the Los Angeles Raiders and the Seattle Seahawks.

The decision to suspend sales came after the Los Angeles district attorney's office filed charges against a Raiders' fan who allegedly assaulted a Steelers supporter during a Sept. 23 game between the two clubs at the Coliseum.

The 92,000-seat stadium serves as the home field for both the Raiders and the University of Southern California. The stadium's food and beverage concessions are operated by Volume Services.

For the remainder of the Raiders and USC games, beer will be available for sale, but in 16-ounce portions instead of the usual 20-ounce size, and only brews with an alcohol content of 3.2 percent will be sold. In addition, sales will be terminated at halftime.

FINANCIAL NEWS

Only three restaurant stocks of 63 gain in value in 3rd Q

by Milford Prewitt

NEW YORK — In a clear loss of investor faith in the restaurant business, all but three of the 63 stocks tracked by Nation's Restaurant News Stock Index were losers during the third quarter, ended Sept. 30.

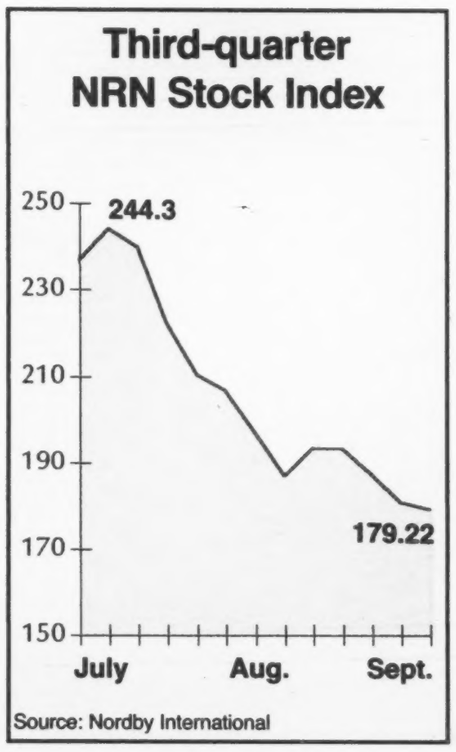
Mounting signs of a recession and looming fears of a Middle Eastern war have apparently shaken investor confidence not only in restaurant stocks but in other segments as well.

"If you looked at the big picture, all of the leading economic indicators are falling, and that is prompting investors to sell their low-capitalized stocks," said David A. Geraty, an analyst with Equitable Securities Corp, Nashville, Tenn. "The background to this bear market is increasing unemployment, decreasing consumer discretionary income and thin margins, just like they said on the presidents' council at MUFSO."

"So investors are jumping into segments they think are recession-resistant like energy and health care."

The NRN Stock Index — a market-weighted gauge of restaurant issues and the single largest industry index available — lost 24 percent of its value for the third quarter. The drop represented a 9-percent loss year-to-year.

But the NRN Index has been sliding ever since hitting a record high of 244.30 for the week ended July 6. By the week following the Iraqi invasion of Kuwait, the index lost 18 percent of its value and kept going to a low of 187.02 by Aug. 24. Although the index rebounded with a slight two-week uptick in volume during the first two weeks of September, it plummeted again, closing at the end of the quarter to 179.22, a 9-percent drop from the year-ago level of 198.



The percentage decline was higher than the loss recorded in both the Dow Jones Industrial Average and the Standard & Poor 500 but was a hair's-breadth better than the drop in value in NASDAQ, the giant over-the-counter exchange.

The DJIA fell 15 percent, the S & P 500 lost 14 percent of its value while more than a quarter of NASDAQ's value slithered away, down 25.4 percent for the quarter.

Chef's International, a nine-unit seafood dinnerhouse chain that is based in Point Pleasant Beach, N.J., was among the three companies whose stock price appreciated. The company led the index with a 53-percent gain in stock price, perhaps not a difficult feat to accomplish when the share price is 31 cents a unit.

The second-largest percent gainer was Showbiz Pizza Time Inc.'s share price, up 3.3 percent, to $23.25. It was followed by QSR, a Florida-based fast-food operator, up less than 1 percent, to $2.75.

Of the 60 losers, Tubby's Sub Inc., TCBY and Steve's Ice Cream led the list.

TCBY lost 65 percent of its share price during the quarter to close at $6.50, and Steve's Ice Cream fell 57 percent to end the quarter at 56 cents per share. Tubby's was the least-valued stock in the index, trading at 3 cents a share for an 81-percent drop.

Some companies that had been releasing strong earnings statements throughout the year also found their stocks had taken abeating during the quarter.

The stock price of National Pizza decreased 20 percent, to $24.50 per share. Just a quarter earlier, the giant Pizza Hut franchisee reported that per-unit sales had increased 17 percent.

Other prominent losers during the period — in light of rosy earnings statements — were Vicorp (down 31 percent, to $17.25), Collins Foods (down 26 percent, to 21.75 per share), Chili's Inc. (off 21 percent, to $28.63) and Sizzler (down 26 percent, to $6.63.).

Applebees International, the much-watched casual-themed restaurant chain, was among the top 10 losers in share value. The company's stock price fell 45 percent during the period, to close at $10.25 per share.

The industry's most heavily capitalized stock, McDonald's, fell 27 percent, to $25.88.

Rally's, the drive-thru-only burger chain whose shares were among the first to get battered following the Persian Gulf flare-up, nearly made it into the list of the top 10 losers with its stock price closing in the quarter to $10 per share, which is a 43-percent drop.

FOOD PRICE OUTLOOK

A roundup of the vegetable supply

by Patt Patterson

Most of the **fruit and vegetable packs,** both canned and frozen, are completed or nearly complete. A quick rundown on supplies:

In **peas,** petites are short in both canned and frozen packs. In frozen, there's fair supply with a good level of Grade A. In canned, there's fair to good supply with more Extra Standard than Fancy, and the latter is not grading high on the scale for most packers.

The Midwestern **corn** supply is on the short side in both canned and frozen packs, but quality is good, with lots of Grade A. The Northwestern supply is good, and quality has been running mostly Grade A. Frozen **corn-on-the-cob** finished without a freeze cutting the late pack. But supplies are still below the five-year average for the Midwest. Northwestern packers put up a good supply, but not enough to make up the shortage.

The **green beans** supply is abundant from both canners and packers, with the best quality in several years, running mostly Grade A. Packers are packing **carrots,** and both supply and quality look good. **Beets** are packing with prospects of good supply, especially in larger sizes. Small foodservice sizes may be short. Quality is excellent.

Canned **wax beans** are in not in as good a supply as forecast owing to carryover, but some packers are dropping prices.

The fall **spinach** crop is expected to be good, but the frozen leaf pack may not make up for the shortage resulting from spring mildew damage in California. **Okra** supplies are tight, and they are expected to stay short until imports start coming in January. Frozen **broccoli** — both domestic and imported versions — is overstocked with a multitude of deals available from packers.

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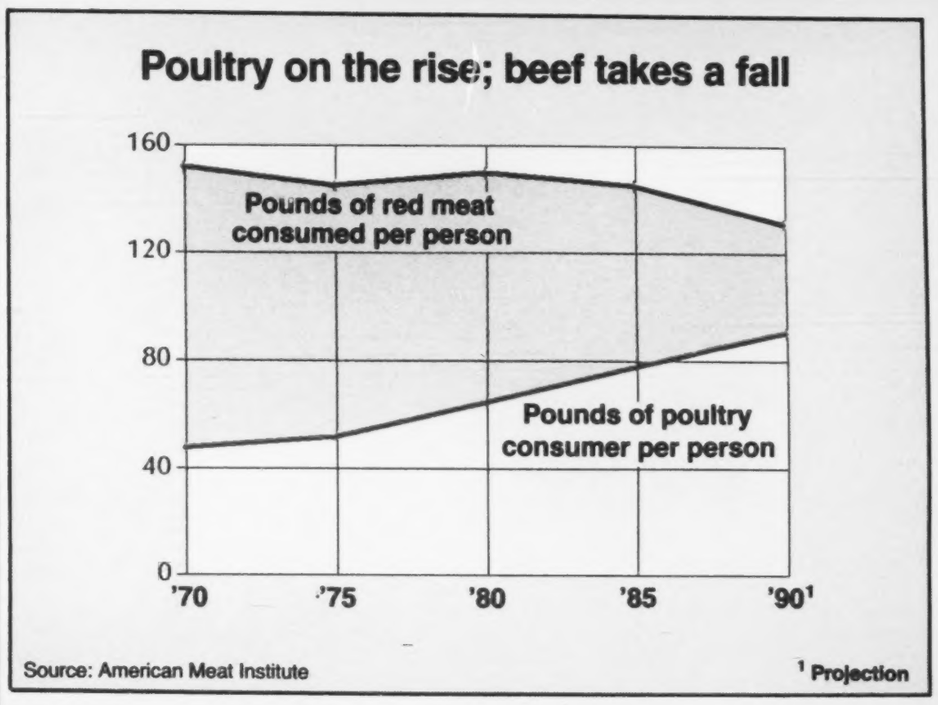

FINANCIAL DIGEST

Hotel stocks take deep plunge

ITHACA, N.Y. — Hotel stocks plunged deeper than any other industry segment in the United States during the past 12 months, according to research conducted by the School of Hotel Administration at Cornell University.

While hotel profitability softened, the market price for the group fell 55 percent for the year ended Aug. 31, according to Avner Arbel, a professor of finance and author of the study.

But Arbel noted industries closely allied with hotels — airlines, restaurants and real estate — were big losers on Wall Street. "The decline of hotel shares took place across the board, affecting virtually all hotel companies that are listed on Wall Street," he said.

He noted that common stock of Marriott Corp. and Hilton Hotels, for example, both fell 72 percent.

The only exception to the hotel decline were Club Med, operators of resort hotels and vacation packages, whose shares rose 6 percent.

TCBY profits drop 42 percent

LITTLE ROCK, Ark. — Citing a decrease in same-store sales and franchising revenues, increased competition, a rise in both milk prices and general and administrative expenses, profits for TCBY fell 42 percent, to $6.7 million, for the third quarter, ended Aug. 31.

Third-quarter sales and franchising revenues for the 1,900-unit soft-serve yogurt chain based here dipped 11 percent, to $43.6 million.

During the quarter TCBY same-store sales fell 16.7 percent and 12.7 percent for the nine-month period.

Profits for the nine-month period dipped 16 percent, to $19.6 million, despite a 6-percent increase in revenues, to $124.2 million.

Owing to the addition of 99 units to the system during the third quarter, systemwide sales increased 13 percent, to $118 million.

Major shareholders blast La Quinta plan

SAN ANTONIO — Two groups of stockholders that collectively control about 30 percent of La Quinta Motor Inns Inc.'s 13.1 million shares outstanding have voiced opposition to La Quinta's recently adopted shareholder rights plan.

An investment group led by the Bass family of Texas and Industrial Equity (Pacific) Ltd. said the hotel chain should rescind the "poison pill" plan it adopted last month. Included in a recent SEC filing was a letter from Industrial Equity to La Quinta's top executive.

Consolidated plans $30M recapitalization

INDIANAPOLIS — Consolidated Products Inc.'s board has approved a $30 million recapitalization plan calling for a special dividend valued at $7.25 financed by $24 million in new debt.

The proposed dividend consists of $4.25 in cash and $3 per share in 10-percent subordinated convertible debentures.

The company, which operates and franchises 130 restaurants under the names Steak n Shake and Mustard's, said the recapitalization is designed to provide shareholders with immediate value since the company had "not received adequate recognition in the financial marketplace" for its sales and earnings performance.

Homestyle Buffet names CFO

OLDSMAR, Fla. — Homestyle Buffet Inc. has named Ernest Trigilio chief financial officer and vice president and controller.

Trigilio succeeds Peter Lazzari, who left to launch his own accounting and consulting practice. Trigilio most recently was president of Grey Lane Management Inc., owner of a pizza chain.

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Burger King cuts 300 employees

Regional payrolls slashed as company splits into company, franchise divisions

by Milford Prewitt

MIAMI — Burger King has swung a scythe through its employee ranks for the second time in as many years, on this occasion firing 300 workers nationwide in a move the company said was needed to sustain growth and improve operations.

All but 30 of the 300 positions were in the company's regional offices, a network of 19 corporate outposts that will be cut back to 12 locations.

In April 1989 the company laid off 550 workers.

The new round of layoffs is part of a major corporate restructuring effectively creating two companies inside of one: one for franchise operations and one for company operations. Each will have its own president reporting to Burger King chief executive Barry Gibbons.

Gibbons

The plan — which eliminates several vice president positions — includes a relatively unusual operations and financial feature in which each of the company's 875 restaurants domestically will pay rent, royalties and other related fees to Miami as if the operations were run by franchisees.

Previously, Burger King's company stores contributed to the corporation's general operating expenses, but many did not contribute to the advertising co-op. As in any business operation, whatever was left after taxes, payroll, and other general and administrative costs went to gross profit.

Under the new plan, every domestic company restaurant will pay the same percentage

(See BURGER KING, page 65)

Hospital foodservice faces new budget crunch

by Rick Telberg

DENVER — Hospital foodservice administrators, already shell-shocked from a decade of cuts in federal funding, were bracing for a new round of layoffs and budget constraints as Medicare spending went on the chopping block to help balance the federal deficit.

Thousands of hospital and nursing home foodservice directors converged here as part of the 73rd annual convention of the American Dietetic Association. The ADA represents almost 60,000 registered dietitians, most of whom work in [illegible]nstitutions.

[illegible]r cuts in Medicare [illegible]uld be devastat-[illegible]bbott Hess, an author, consultant and incoming president of the ADA, declared in an interview.

Almost 12,000 ADA members convened in the mile-high city's Colorado Convention Center for a week of meetings and seminars on advances in nutritional science to endorse new food-package labeling rules, to network and develop professional skills, and to tour about 350 exhibit booths.

But among health-care professionals, dollars-and-cents issues seemed to dominate informal discussions.

As they gathered at the foot of the Rocky Mountains, back in Washington, D.C.,

(See HOSPITAL, page 65)

New "Rx" for health-care foodservice

(A selection of strategies discussed at the ADA convention)

Cutting costs

- Switch from disposables to permanent ware
- Hire temporary or part-time workers instead of permanent or full-time ones
- Consolidate purchasing for volume discounts
- Adopt cook-chill production

Raising revenue

- Develop diet counseling practices, such as weight-loss clinics
- Promote on- and off-site catering
- Bill for doctor-ordered dietary consultations with patients

Supermarkets recruit workers from restaurants

by Jack Hayes

ATLANTA — Supermarket operators across the nation, having proved they can open foodservice concepts and win customers, are now going after one of the most crucial resources of America's restaurant industry: its employees.

Promising fatter benefit packages, shorter working hours and often bigger wages, grocery stores are hiring cooks, executive chefs and even managers away from traditional restaurants in order to staff their own feeding operations.

"I never dreamed I'd be working for a supermarket chain," said Culinary Institute of America alumnus Marc Waltzer, who traded his restaurant toque for the title of corporate chef with Minneapolis-based Marsh Supermarkets Inc.

"It's a new frontier for foodservice people. I saw my first New Year's Eve off in nine years," added Melinda McKee, former sous chef at The Heritage in Cincinnati and now executive chef with Howard Solganik & Associates, a firm that sells foodservice ideas to gro-

(See SUPERMARKET, page 63)

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Focus/Pages 25-31

Debate over smoking ban reignited by new LA city council proposal

by Richard Martin

LOS ANGELES — After the City Council snuffed out a proposed ban on smoking in foodservice establishments this month, restaurateurs who thought the smoke would settle began to fear an expensive trip from the frying pan into the fire.

Following a 90-minute debate and a 6-to-6 ballot deadlock that left Councilman Marvin Braude's controversial proposal two votes short of passage, the council voted 8 to 4 to draft a compromise measure that would require restaurants with more than 50 seats to install costly ventilation and partition gear to protect non-smoking sections.

More on California smoking bans

See pages 4, 18

"If they're going to give us a choice like that, they may as well give us guns and let us shoot ourselves," fumed Michael Green, general manager of the Pacific Dining Car restaurants.

Spokesmen for the coalition of restaurateurs that teamed up with tobacco indus-

(See SMOKING, page 4)